

HAMTRAMCK HOUSING COMMISSION
HAMTRAMCK, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Hamtramck Housing Commission	County
Fiscal Year End 12/31/2005	Opinion Date 09/13/2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

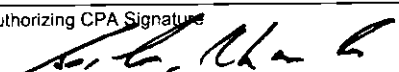
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Sailor, Khan & Co., LLC		Telephone Number 314-726-3308	
Street Address P.. O. Box 16180		City St. Louis	State MO
		Zip 63105	
Authorizing CPA Signature 		Printed Name Shah I. Khan	License Number 1102001772

HAMTRAMCK HOUSING COMMISSION
Hamtramck, Michigan

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Sailor

Certified Public Accountants

Khan & Co. LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hamtramck Housing Commission
Hamtramck, Michigan

We have audited the accompanying basic financial statements of the Hamtramck Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

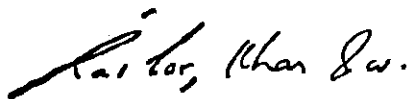
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hamtramck Housing Commission, Michigan, as of December 31, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2006, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vi is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co. LLC
September 13, 2006

Hamtramck Housing Commission

Management's Discussion and Analysis (MD&A) December 31, 2005 (Unaudited)

This section of the Hamtramck Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2005 were \$13,804,243. The net assets decreased by \$569,337, a decrease of 4.1% over the prior year.

Revenues and contributions for the Commission were \$2,444,243 for the year ended December 31, 2005. This was an increase of \$222,803 or 10.0% from the prior year.

Expenses for the Commission were \$3,399,039 for the year ended December 31, 2005. This was an increase of \$628,489 or 22.7% from the prior year.

HUD operating grants was \$1,180,194 for the year ended December 31, 2005. This was an increase of \$55,455 or 4.9% over the prior year. Capital contributions for the Commission was \$359,900 for the year ended December 31, 2005. This was an increase of \$194,654 or 117.8% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2005 and is required to be included in the audit reporting package.

COMMISSION'S POSITION

The Commission has completed the 2003 and 2004 Capital Fund Program and plans to use the 2005 and 2006 capital funds for upgrading units to meet barrier free requirements, purchase of maintenance trucks, landscaping, and preparation of vacant units.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; we have had the troubled status with HUD lifted and are now considered a standard performer. The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income senior's and families.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$13,804,243 at the close of the year ended December 31, 2005 down from \$14,400,580 in 2004. The decrease in net assets of \$596,337 was due to the change of net assets for the year.

The unrestricted net assets were \$173,747 as of December 31, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
DECEMBER 31,**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 817,043	\$ 1,412,289	\$ (595,246)	-42.1%
Capital assets	<u>13,630,496</u>	<u>13,419,832</u>	<u>210,664</u>	1.6%
Total Assets	<u>14,447,539</u>	<u>14,832,121</u>	<u>(384,582)</u>	-2.6%
Current liabilities	597,913	413,711	184,202	44.5%
Noncurrent liabilities	<u>45,383</u>	<u>17,830</u>	<u>27,553</u>	154.5%
Total Liabilities	<u>643,296</u>	<u>431,541</u>	<u>211,755</u>	49.1%
Net Assets				
Invested in capital assets	13,630,496	13,419,832	210,664	1.6%
Unrestricted	<u>173,747</u>	<u>980,748</u>	<u>(807,001)</u>	-82.3%
Total Net Assets	<u>\$ 13,804,243</u>	<u>\$ 14,400,580</u>	<u>\$ (596,337)</u>	-4.1%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions increased by \$222,803 due to increases in HUD operating grants, capital contributions and interest income, which were partially offset due to decreases in rental revenue and other income.

HUD operating grants are a result of requisitioning eligible funds. HUD operating grants received are a result of calculations under the Performance Funding System and Capital contributions authorized and obligated during the year.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
DECEMBER 31,**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 885,390	\$ 911,405	(26,015)	-2.9%
HUD operating grants	1,180,194	1,124,739	55,455	4.9%
Interest income	2,580	466	2,114	453.6%
Capital Contributions	359,900	165,246	194,654	117.8%
Other income	12,275	19,584	(7,309)	-37.3%
Gain on sale of fixed assets	3,904	----	3,904	100.0%
Total Revenues and Contributions	<u>2,444,243</u>	<u>2,221,440</u>	<u>222,803</u>	10.0%
Expenses				
Personal services	1,162,029	929,317	232,712	25.0%
Utilities	557,046	589,122	(32,076)	-5.4%
Operations and maintenance	336,362	250,431	85,931	34.3%
Insurance	130,850	128,057	2,793	2.2%
Payment in lieu of taxes	54,115	36,439	17,676	48.5%
Other supplies and expenses	412,071	214,541	197,530	92.1%
Depreciation	746,566	622,643	123,923	19.9%
Total Expenses	<u>3,399,039</u>	<u>2,770,550</u>	<u>628,489</u>	22.7%
Change in net assets	(954,796)	(549,110)	(405,686)	
Beginning net assets	14,400,580	14,949,690	(549,110)	
Prior period adjustments	<u>358,459</u>	----	<u>358,459</u>	
Beginning net assets, adjusted	<u>14,759,039</u>	<u>14,949,690</u>	<u>(190,651)</u>	
Ending net assets	\$ <u>13,804,243</u>	\$ <u>14,400,580</u>	\$ <u>(596,337)</u>	

Total expenses for the Commission increased by \$628,489 primarily due to increases in personal services, operations and maintenance and other supplies and expenses. These increases were due to the back pay settlement of a management employee and legal fees incurred on legal issues stemming from the prior administration. There were also increases in insurance, payment in lieu of taxes and depreciation and a decrease in utilities.

Management's Discussion and Analysis (MD&A) - Continued

CAPITAL ASSETS

Capital Assets - The Hamtramck Housing Commission's investment in capital assets, as of December 31, 2005 amounts to \$13,630,496 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31,

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>
Land	\$ 184,325	\$ 184,325	\$ ----
Building	18,172,712	16,463,944	1,708,768
Furniture, equipment and machinery- dwelling	797,372	321,812	475,560
Furniture, equipment and machinery- administration	628,288	496,057	132,231
Leasehold improvements	----	483,753	(483,753)
Construction in progress	<u>65,000</u>	<u>693,023</u>	<u>(628,023)</u>
	19,847,697	18,642,914	1,204,783
Accumulated depreciation	<u>6,217,201</u>	<u>5,223,082</u>	<u>994,119</u>
Total	<u>\$ 13,630,496</u>	<u>\$ 13,419,832</u>	<u>\$ 210,664</u>

The total increase in the Commission's capital assets for the current fiscal year was \$210,664 or 1.6% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$598,770 for the year. The Commission has \$1,136,274 available in Capital Funds and \$1,656,114 available in Comprehensive Grant Funds to draw down and spend in the future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Kevin Krondrat, Executive Director; Hamtramck Housing Commission; 12025 Dequindre; Hamtramck, Michigan 48212.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF NET ASSETS

December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 414,851.61
Receivable - net of allowances:	
Accounts	294,702.57
Inventory - net of allowances	30,838.45
Prepaid expenses	<u>76,650.69</u>
Total Current Assets	<u>817,043.32</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	249,325.00
Other capital assets, net of depreciation	<u>13,381,171.01</u>

Total capital assets- net 13,630,496.01

Total Noncurrent Assets 13,630,496.01

Total Assets \$ 14,447,539.33

See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

December 31, 2005

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 310,036.78
Accrued salaries, wages and benefits	8,605.30
Accrued compensated absences	45,382.78
Tenant security deposit liability	73,142.50
Deferred revenues	<u>160,745.64</u>

Total Current Liabilities 597,913.00

Noncurrent Liabilities:

Accrued compensated absences	<u>45,382.78</u>
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Total Noncurrent Liabilities 45,382.78

Total Liabilities 643,295.78

NET ASSETS

Invested in capital assets	13,630,496.01
Unrestricted	<u>173,747.54</u>

Total Net Assets 13,804,243.55

Total Liabilities and Net Assets \$ 14,447,539.33

See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2005

Operating Revenues:

Rental revenue	\$ 885,390.31
Operating subsidies- HUD grants	1,180,193.95
Other revenues	<u>12,275.00</u>
Total operating revenues	<u>2,077,859.26</u>

Operating Expenses:

Personal services	1,162,029.18
Utilities	557,046.20
Operations and maintenance	336,362.42
Insurance	130,850.49
Payment in lieu of taxes	54,114.62
Other supplies and expenses	412,070.70
Depreciation	<u>746,565.54</u>

Total operating expenses 3,399,039.15

Operating income (loss) (1,321,179.89)

Non-operating revenues (expenses):

Interest and investment earnings	2,579.93
Gain (Loss) on sale of fixed assets	<u>3,904.00</u>

Net non-operating revenues (expenses) 6,483.93

Income (loss) before other revenues, expenses,
gains, losses and transfers (1,314,695.96)

Capital contributions 359,899.64

Change in net assets (954,796.32)

Net assets at beginning of year 14,400,580.23

Prior period error corrections 358,459.64

Net assets adjusted at beginning of year 14,759,039.87

Net assets at end of year \$ 13,804,243.55

See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2005

Cash flows from operating activities:

Cash received from tenants	\$ 886,889.11
Cash received from HUD grants- operating	1,180,193.95
Cash received from other operating activities	12,275.00
Cash payments for goods and services	(1,341,914.35)
Cash payments to employees-salaries	(773,701.16)
Cash payments for employee benefit contributions	(308,768.72)
Cash payments for in lieu of property taxes	<u>(36,439.00)</u>

Net cash provided (used) by operating activities	<u>(381,465.17)</u>
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Cash flows from capital and related financing activities:

Capital contributions	1,292,960.35
Proceeds from sale of assets	3,904.00
Payments for capital assets	<u>(603,176.82)</u>

Net cash (used) for capital and related financing activities	<u>693,687.53</u>
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Cash flows from investing activities:

Interest and dividends	2,579.93
Receipts (payments) from tenant security deposits	<u>2,025.00</u>

Net cash provided (used) from investing activities	<u>4,604.93</u>
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Net increase (decrease) in cash and cash equivalents	316,827.29
Cash and cash equivalents at beginning of year	<u>98,024.32</u>

Cash and cash equivalents at end of year	<u>\$ 414,851.61</u>
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Noncash Investing, Capital and Financing Activities:

Acquisition of capital assets on account	<u>\$ 65,000.00</u>
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See notes to financial statements

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2005

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (1,321,179.89)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	746,565.54
Allowance for doubtful accounts	(1,084.75)
Changes in assets and liabilities:	
Receivables	20,046.18
Inventory	(30,838.45)
Prepaid expenses	(9,110.55)
Accounts and other payables	152,040.08
Deferred revenues	(17,462.63)
Compensated absences	70,954.00
Accrued expenses	<u>8,605.30</u>
Net cash provided (used) by operating activities	<u>\$ (381,465.17)</u>

See notes to financial statements

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies

The Hamtramck Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Comprehensive Grant Program	Accounts for activities of the primary source of Comprehensive Grant funds for physical improvements to public housing units and for improvements to the management and operational practices of existing public housing projects, operating more than 250 units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 40 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administration	5 - 10 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Comprehensive Grant Program	U.S. Department of Housing and Urban Development

2b. Deposits Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Comprehensive Grant Program	Modernization
Capital Fund Program	Modernization

For the year ended December 31, 2005, the Commission complied, in all material respects, with these revenue restrictions.

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at December 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand of deposits	\$ 443,166.51	\$ 443,166.51	\$ ----	\$ ----	\$ 414,751.61
Total Deposits	\$ 443,166.51	\$ 443,166.51	\$ ----	\$ ----	\$ 414,751.61

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Accounts Receivable

Receivables detail at December 31, 2005, is as follows:

Tenant accounts receivable	\$ 34,403.27
Allowance for doubtful accounts	<u>(4,415.25)</u>
Tenants accounts receivable - net	29,988.02
Accounts receivable - HUD	<u>264,714.55</u>
	<u>\$ 294,702.57</u>

3c. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Transfers in (out)</u>	<u>Balance December 31, 2005</u>
Land	\$ 184,325.00	\$ ----	\$ ----	\$ ----	\$ 184,325.00
Building	16,463,943.94	1,225,015.10	----	483,753.00	18,172,712.04
Furniture, equipment and machinery- dwelling	321,812.10	475,559.54	----	----	797,371.64
Furniture, equipment and machinery- administration	496,057.02	132,231.14	----	----	628,288.16
Leasehold improvements	483,753.00	----	----	(483,753.00)	----
Construction in progress	<u>693,023.03</u>	<u>----</u>	<u>(628,023.03)</u>	<u>----</u>	<u>65,000.00</u>
	18,642,914.09	<u>\$ 1,832,805.78</u>	<u>\$ (628,023.03)</u>	<u>\$ ----</u>	19,847,696.84
Accumulated depreciation	<u>5,223,082.02</u>	<u>\$ 994,118.81</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>6,217,200.83</u>
Total	<u>\$ 13,419,832.07</u>				<u>\$ 13,630,496.01</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Accounts Payable

Payable detail at December 31, 2005, is as follows:

Accounts payable - vendors	\$ 269,315.78
Accounts payable - other government - PILOT	<u>40,721.00</u>
	<u>\$ 310,036.78</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2005 is \$90,765.56.

3f. Non-current Liabilities

As of December 31, 2005, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>45,382.78</u>
Total	<u>\$ 45,382.78</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2005:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2005</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>17,830.40</u>	\$ <u>27,552.38</u>	\$ <u>----</u>	\$ <u>45,382.78</u>	\$ <u>45,382.78</u>
Total	\$ <u>17,830.40</u>	\$ <u>27,552.38</u>	\$ <u>----</u>	\$ <u>45,382.78</u>	\$ <u>45,382.78</u>

3g. Interprogram Transactions and Balances

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ 196,761.25
Capital Fund Program	(343,456.07)
Comprehensive Grant Program	<u>146,694.82</u>
Total	<u>\$ ----</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Accumulated depreciation - correct prior year depreciation	\$ (247,553.27)
2. Building - correct prior year	125,998.03
3. Furniture, equipment - dwelling - correct prior year	375,476.90
4. Furniture, equipment - administration - correct prior year	<u>104,537.98</u>
Totals	<u>\$ 358,459.64</u>

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after ten years of service. The Commission contributed 2.5 percent of covered payroll.

For the year ended December 31, 2005, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 782,306.46
Payroll for covered employees	\$ 22,500.00
Employer (Commission) contributions made	\$ 562.50

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Insurance Group
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund Co.; Claims are administered by Accident Fund Co.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductibles.
d. Health and life	Purchased health insurance with Blue Cross Blue Shield; Life insurance is provided by American International Group Inc.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At December 31, 2005, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CGP 704-96	\$ 1,143,864.00	\$ 997,169.35
CGP 706-98	1,219,950.00	801,072.00
CGP 707-99	1,428,821.00	338,280.00
	<u>\$ 3,792,635.00</u>	<u>\$ 2,136,521.35</u>
	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-04	\$ 1,201,274.00	\$ 65,000.00
	<u>\$ 1,201,274.00</u>	<u>\$ 65,000.00</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies (Continued)

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Commission is a defendant in lawsuits involving a former employee. The ultimate outcome of these lawsuits cannot presently be determined, however, provision for any liability that may result has not been made in the financial statements.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2005

	<u>Low Rent Program</u>	<u>Comprehensive Grant Program</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 271,109.80	\$ ----
Receivable - net of allowances:		
Accounts	29,988.02	----
Due from (to) interprogram	196,761.25	146,694.82
Inventory - net of allowances	30,838.45	----
Prepaid expenses	<u>76,650.69</u>	<u>----</u>
Total Current Assets	<u>605,348.21</u>	<u>146,694.82</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	184,325.00	----
Other capital assets, net of depreciation	<u>12,449,172.88</u>	<u>----</u>
Total capital assets- net	<u>12,633,497.88</u>	<u>----</u>
Total Noncurrent Assets	<u>12,633,497.88</u>	<u>----</u>
Total Assets	<u>\$ 13,238,846.09</u>	<u>\$ 146,694.82</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2005

	<u>Low Rent Program</u>	<u>Comprehensive Grant Program</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 245,036.78	\$ -----
Accrued salaries, wages and benefits	8,605.30	-----
Accrued compensated absences	45,382.78	-----
Tenant security deposit liability	73,142.50	-----
Deferred revenues	<u>14,050.82</u>	<u>146,694.82</u>
Total Current Liabilities	<u>386,218.18</u>	<u>146,694.82</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>45,382.78</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>45,382.78</u>	<u>-----</u>
Total Liabilities	<u>431,600.96</u>	<u>146,694.82</u>
NET ASSETS		
Invested in capital assets	12,633,497.88	-----
Unrestricted	<u>173,747.25</u>	<u>-----</u>
Total Net Assets	<u>12,807,245.13</u>	<u>-----</u>
Total Liabilities and Net Assets	<u>\$ 13,238,846.09</u>	<u>\$ 146,694.82</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2005

	<u>Capital Fund Program</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 143,741.81	\$ 414,851.61
Receivable - net of allowances:		
Accounts	264,714.55	294,702.57
Due from (to) interprogram	(343,456.07)	----
Inventory - net of allowances	----	30,838.45
Prepaid expenses	----	76,650.69
	<u>65,000.29</u>	<u>817,043.32</u>
Total Current Assets		
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	65,000.00	249,325.00
Other capital assets, net of depreciation	931,998.13	13,381,171.01
	<u>996,998.13</u>	<u>13,630,496.01</u>
Total capital assets- net		
Total Noncurrent Assets	<u>996,998.13</u>	<u>13,630,496.01</u>
Total Assets	<u>\$ 1,061,998.42</u>	<u>\$ 14,447,539.33</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2005

	Capital Fund Program	Totals
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 65,000.00	\$ 310,036.78
Accrued salaries, wages and benefits	-----	8,605.30
Accrued compensated absences	-----	45,382.78
Tenant security deposit liability	-----	73,142.50
Deferred revenues	-----	160,745.64
Total Current Liabilities	<u>65,000.00</u>	<u>597,913.00</u>
Noncurrent Liabilities:		
Accrued compensated absences	-----	45,382.78
Total Noncurrent Liabilities	<u>-----</u>	<u>45,382.78</u>
Total Liabilities	<u>65,000.00</u>	<u>643,295.78</u>
NET ASSETS		
Invested in capital assets	996,998.13	13,630,496.01
Unrestricted	<u>0.29</u>	<u>173,747.54</u>
Total Net Assets	<u>996,998.42</u>	<u>13,804,243.55</u>
Total Liabilities and Net Assets	<u>\$ 1,061,998.42</u>	<u>\$ 14,447,539.33</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended December 31, 2005

	<u>Low Rent Program</u>	<u>Comprehensive Grant Program</u>
Operating Revenues:		
Rental revenue	\$ 885,390.31	\$ -----
Operating subsidies- HUD grants	1,130,477.00	-----
Other revenues	<u>12,275.00</u>	<u>-----</u>
Total operating revenues	<u>2,028,142.31</u>	<u>-----</u>
Operating Expenses:		
Personal services	1,162,029.18	-----
Utilities	557,046.20	-----
Operations and maintenance	336,362.42	-----
Insurance	130,850.49	-----
Payment in lieu of taxes	54,114.62	-----
Other supplies and expenses	362,353.75	-----
Depreciation	<u>690,641.29</u>	<u>-----</u>
Total operating expenses	<u>3,293,397.95</u>	<u>-----</u>
Operating income (loss)	<u>(1,265,255.64)</u>	<u>-----</u>
Non-operating revenues (expenses):		
Interest and investment earnings	2,579.93	-----
Gain (Loss) on sale of fixed assets	<u>3,904.00</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>6,483.93</u>	<u>-----</u>
Change in net assets	(1,258,771.71)	-----
Net assets at beginning of year	12,649,699.20	-----
Prior period error corrections	<u>358,459.64</u>	<u>-----</u>
Net assets adjusted at beginning of year	13,008,158.84	-----
Equity transfers	<u>1,057,858.00</u>	<u>-----</u>
Net assets at end of year	<u>\$ 12,807,245.13</u>	<u>\$ -----</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2005

	Capital Fund Program	Totals
Operating Revenues:		
Rental revenue	\$ -----	\$ 885,390.31
Operating subsidies- HUD grants	49,716.95	1,180,193.95
Other revenues	-----	12,275.00
Total operating revenues	<u>49,716.95</u>	<u>2,077,859.26</u>
Operating Expenses:		
Personal services	-----	1,162,029.18
Utilities	-----	557,046.20
Operations and maintenance	-----	336,362.42
Insurance	-----	130,850.49
Payment in lieu of taxes	-----	54,114.62
Other supplies and expenses	49,716.95	412,070.70
Depreciation	<u>55,924.25</u>	<u>746,565.54</u>
Total operating expenses	<u>105,641.20</u>	<u>3,399,039.15</u>
Operating income (loss)	<u>(55,924.25)</u>	<u>(1,321,179.89)</u>
Non-operating revenues (expenses):		
Interest and investment earnings	-----	2,579.93
Gain (Loss) on sale of fixed assets	-----	3,904.00
Net non-operating revenues (expenses)	<u>-----</u>	<u>6,483.93</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(55,924.25)	(1,314,695.96)
Capital contributions	<u>359,899.64</u>	<u>359,899.64</u>
Change in net assets	303,975.39	(954,796.32)
Net assets at beginning of year	1,750,881.03	14,400,580.23
Prior period error corrections	-----	<u>358,459.64</u>
Net assets adjusted at beginning of year	1,750,881.03	14,759,039.87
Equity transfers	<u>(1,057,858.00)</u>	-----
Net assets at end of year	<u>\$ 996,998.42</u>	<u>\$ 13,804,243.55</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2005

	Low Rent Program	Comprehensive Grant Program
Cash flows from operating activities:		
Cash received from tenants	\$ 886,889.11	\$ ----
Cash received from HUD grants- operating	1,130,477.00	----
Cash received from other operating activities	12,275.00	----
Cash payments for goods and services	(1,292,197.40)	----
Cash payments to employees-salaries	(773,701.16)	----
Cash payments for employee benefit contributions	(308,768.72)	----
Cash payments for in lieu of property taxes	(36,439.00)	----
Net cash provided (used) by operating activities	<u>(381,465.17)</u>	<u>----</u>
Cash flows from noncapital financing activities:		
Receipts (payments) from interprograms	<u>0.17</u>	<u>(0.17)</u>
Net cash provided (used) from non capital financing activities	<u>0.17</u>	<u>(0.17)</u>
Cash flows from capital and related financing activities:		
Capital contributions	----	0.17
Receipts (payments) from interprograms	784,912.04	----
Proceeds from sale of assets	3,904.00	----
Payments for capital assets	(238,870.49)	----
Net cash (used) for capital and related financing activities	<u>549,945.55</u>	<u>0.17</u>
Cash flows from investing activities:		
Interest and dividends	2,579.93	----
Receipts (payments) from tenant security deposits	<u>2,025.00</u>	<u>----</u>
Net cash provided (used) from investing activities	<u>4,604.93</u>	<u>----</u>
Net increase (decrease) in cash and cash equivalents	173,085.48	----
Cash and cash equivalents at beginning of year	<u>98,024.32</u>	<u>----</u>
Cash and cash equivalents at end of year	<u>\$ 271,109.80</u>	<u>\$ ----</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2005

	<u>Low Rent Program</u>	<u>Comprehensive Grant Program</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,265,255.64)	\$ -----
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	690,641.29	-----
Allowance for doubtful accounts	(1,084.75)	-----
Changes in assets and liabilities:		
Receivables	20,046.18	-----
Inventory	(30,838.45)	-----
Prepaid expenses	(9,110.55)	-----
Accounts and other payables	152,040.08	-----
Deferred revenues	(17,462.63)	-----
Compensated absences	70,954.00	-----
Accrued expenses	<u>8,605.30</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>\$ (381,465.17)</u>	<u>\$ -----</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2005

	Capital Fund Program	Totals
Cash flows from operating activities:		
Cash received from tenants	\$ -----	\$ 886,889.11
Cash received from HUD grants- operating	49,716.95	1,180,193.95
Cash received from other operating activities	-----	12,275.00
Cash payments for goods and services	(49,716.95)	(1,341,914.35)
Cash payments to employees-salaries	-----	(773,701.16)
Cash payments for employee benefit contributions	-----	(308,768.72)
Cash payments for in lieu of property taxes	-----	(36,439.00)
	<u>-----</u>	<u>-----</u>
Net cash provided (used) by operating activities	-----	(381,465.17)
Cash flows from capital and related financing activities:		
Capital contributions	1,292,960.18	1,292,960.35
Receipts (payments) from interprograms	(784,912.04)	-----
Proceeds from sale of assets	-----	3,904.00
Payments for capital assets	(364,306.33)	(603,176.82)
	<u>-----</u>	<u>-----</u>
Net cash (used) for capital and related financing activities	143,741.81	693,687.53
Cash flows from investing activities:		
Interest and dividends	-----	2,579.93
Receipts (payments) from tenant security deposits	-----	2,025.00
	<u>-----</u>	<u>-----</u>
Net cash provided (used) from investing activities	-----	4,604.93
Net increase (decrease) in cash and cash equivalents	143,741.81	316,827.29
Cash and cash equivalents at beginning of year	-----	98,024.32
	<u>-----</u>	<u>-----</u>
Cash and cash equivalents at end of year	\$ 143,741.81	\$ 414,851.61
Noncash Investing, Capital and Financing Activities:		
Acquisition of capital assets on account	\$ 65,000.00	\$ 65,000.00

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2005

	Capital Fund Program	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (55,924.25)	\$ (1,321,179.89)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	55,924.25	746,565.54
Allowance for doubtful accounts	-----	(1,084.75)
Changes in assets and liabilities:		
Receivables	-----	20,046.18
Inventory	-----	(30,838.45)
Prepaid expenses	-----	(9,110.55)
Accounts and other payables	-----	152,040.08
Deferred revenues	-----	(17,462.63)
Compensated absences	-----	70,954.00
Accrued expenses	-----	8,605.30
	<u>-----</u>	<u>-----</u>
Net cash provided (used) by operating activities	\$ <u>-----</u>	\$ <u>(381,465.17)</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Low Rent Program	14.850a	\$ <u>1,130,477.00</u>
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Capital Fund program	14.872	\$ <u>409,616.30</u>
	Total		\$ <u>1,540,093.30</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-02</u>
Funds approved	\$ 1,322,258.00
Funds expended	<u>1,322,258.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 1,322,258.00
Funds expended	<u>1,322,258.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated June 29, 2005 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-03</u>
Funds approved	\$ 1,206,569.00
Funds expended	<u>1,206,569.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 1,206,569.00
Funds expended	<u>1,206,569.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated March 10, 2006 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>
Funds approved	\$ 216,821.00
Funds expended	<u>216,821.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 216,821.00
Funds expended	<u>216,821.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated March 10, 2006 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 271,109.80	\$ -----
100	Total cash	<u>271,109.80</u>	<u>-----</u>
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	34,403.27	-----
126.1	Allowance for doubtful accounts-dwelling rents	<u>(4,415.25)</u>	<u>-----</u>
120	Total receivables, net of allowance for doubtful accounts	<u>29,988.02</u>	<u>-----</u>
142	Prepaid expenses and other assets	76,650.69	-----
143	Inventories	30,838.45	-----
144/			
(347)	Interprogram due from	<u>196,761.25</u>	<u>146,694.82</u>
150	Total current assets	<u>605,348.21</u>	<u>146,694.82</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	184,325.00	-----
162	Buildings	17,232,102.16	-----
163	Furniture, equipment and machinery-dwellings	750,059.14	-----
164	Furniture, equipment and machinery-administration	628,288.16	-----
166	Accumulated depreciation	<u>(6,161,276.58)</u>	<u>-----</u>
160	Total fixed assets, net of accumulated depreciation	<u>12,633,497.88</u>	<u>-----</u>
180	Total noncurrent assets	<u>12,633,497.88</u>	<u>-----</u>
190	Total Assets	<u>\$ 13,238,846.09</u>	<u>\$ 146,694.82</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (204,315.78)	\$ -----
321	Accrued wage / payroll taxes payable	(8,605.30)	-----
322	Accrued compensated absences- current portion	(45,382.78)	-----
333	Accounts payable -other government	(40,721.00)	-----
341	Tenant security deposits	(73,142.50)	-----
342	Deferred revenues	<u>(14,050.82)</u>	<u>(146,694.82)</u>
310	Total current liabilities	<u>(386,218.18)</u>	<u>(146,694.82)</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	<u>(45,382.78)</u>	<u>-----</u>
350	Total noncurrent liabilities	<u>(45,382.78)</u>	<u>-----</u>
300	Total liabilities	<u>(431,600.96)</u>	<u>(146,694.82)</u>
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	<u>(12,633,497.88)</u>	<u>-----</u>
512.1	Unrestricted Net Assets	<u>(173,747.25)</u>	<u>-----</u>
600	Total Liabilities and Equity	<u><u>\$(13,238,846.09)</u></u>	<u><u>\$ (146,694.82)</u></u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	Revenue:		
703	Net rental revenue	\$ (905,331.55)	\$ -----
705	Total tenant revenue	(905,331.55)	-----
706	HUD PHA operating grants	(1,130,477.00)	-----
711	Investment income-unrestricted	(2,579.93)	-----
715	Other revenue	(12,275.00)	-----
716	Gain on sale of fixed assets	(3,904.00)	-----
700	Total revenue	(2,054,567.48)	-----
	Expenses:		
	Administrative		
911	Administrative salaries	423,375.32	-----
912	Auditing fees	6,270.00	-----
914	Compensated absences	70,954.00	-----
915	Employee benefit contributions-administrative	151,016.45	-----
916	Other operating-administrative	349,039.38	-----
	Tenant services		
924	Tenant services-other	7,044.37	-----
	Utilities		
931	Water	25,766.90	-----
932	Electricity	217,615.95	-----
933	Gas	313,663.35	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	358,931.14	-----
942	Ordinary maintenance and operation-materials & other	59,156.10	-----
943	Ordinary maintenance and operation-contract costs	153,655.23	-----
945	Employee benefit contributions-ordinary maintenance	157,752.27	-----

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Comprehensive Grant Program 14.859
	Protective services		
952	Protective services-other contract costs	123,551.09	-----
	General expenses		
961	Insurance premiums	130,850.49	-----
963	Payments in lieu of taxes	54,114.62	-----
964	Bad debts- tenant rents	19,941.24	-----
969	Total operating expenses	2,622,697.90	-----
970	Excess (deficit) operating revenue over operating expenses	(568,130.42)	-----
974	Depreciation expense	690,641.29	-----
	Total expenses other than total operating	690,641.29	-----
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(1,258,771.71)	-----
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ (1,258,771.71)	\$ -----

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 143,741.81	\$ 414,851.61
100	Total cash	143,741.81	414,851.61
	Accounts and notes receivable:		
122	Accounts receivable-HUD	264,714.55	264,714.55
126	Accounts receivable- tenants-dwelling rents	-----	34,403.27
126.1	Allowance for doubtful accounts-dwelling rents	-----	(4,415.25)
120	Total receivables, net of allowance for doubtful accounts	264,714.55	294,702.57
142	Prepaid expenses and other assets	-----	76,650.69
143	Inventories	-----	30,838.45
144/ (347)	Interprogram due from	(343,456.07)	-----
150	Total current assets	65,000.29	817,043.32
	Noncurrent Assets:		
	Fixed assets:		
161	Land	-----	184,325.00
162	Buildings	940,609.88	18,172,712.04
163	Furniture, equipment and machinery-dwellings	47,312.50	797,371.64
164	Furniture, equipment and machinery-administration	-----	628,288.16
166	Accumulated depreciation	(55,924.25)	(6,217,200.83)
167	Construction in progress	65,000.00	65,000.00
160	Total fixed assets, net of accumulated depreciation	996,998.13	13,630,496.01
180	Total noncurrent assets	996,998.13	13,630,496.01
190	Total Assets	\$ 1,061,998.42	\$ 14,447,539.33

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (65,000.00)	\$ (269,315.78)
321	Accrued wage / payroll taxes payable	-----	(8,605.30)
322	Accrued compensated absences- current portion	-----	(45,382.78)
333	Accounts payable -other government	-----	(40,721.00)
341	Tenant security deposits	-----	(73,142.50)
342	Deferred revenues	-----	(160,745.64)
310	Total current liabilities	<u>(65,000.00)</u>	<u>(597,913.00)</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	-----	(45,382.78)
350	Total noncurrent liabilities	-----	(45,382.78)
300	Total liabilities	<u>(65,000.00)</u>	<u>(643,295.78)</u>
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	<u>(996,998.13)</u>	<u>(13,630,496.01)</u>
512.1	Unrestricted Net Assets	<u>(0.29)</u>	<u>(173,747.54)</u>
600	Total Liabilities and Equity	<u>\$ (1,061,998.42)</u>	<u>\$ (14,447,539.33)</u>

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Revenue:		
703	Net rental revenue	\$ -----	\$ (905,331.55)
705	Total tenant revenue	-----	(905,331.55)
706	HUD PHA operating grants	(49,716.95)	(1,180,193.95)
706.1	HUD PHA capital grants	(359,899.64)	(359,899.64)
711	Investment income-unrestricted	-----	(2,579.93)
715	Other revenue	-----	(12,275.00)
716	Gain on sale of fixed assets	-----	(3,904.00)
700	Total revenue	(409,616.59)	(2,464,184.07)
	Expenses:		
	Administrative		
911	Administrative salaries	-----	423,375.32
912	Auditing fees	-----	6,270.00
914	Compensated absences	-----	70,954.00
915	Employee benefit contributions-administrative	-----	151,016.45
916	Other operating-administrative	49,716.95	398,756.33
	Tenant services		
924	Tenant services-other	-----	7,044.37
	Utilities		
931	Water	-----	25,766.90
932	Electricity	-----	217,615.95
933	Gas	-----	313,663.35
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	-----	358,931.14
942	Ordinary maintenance and operation-materials & other	-----	59,156.10
943	Ordinary maintenance and operation-contract costs	-----	153,655.23
945	Employee benefit contributions-ordinary maintenance	-----	157,752.27

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Protective services		
952	Protective services-other contract costs	-----	123,551.09
	General expenses		
961	Insurance premiums	-----	130,850.49
963	Payments in lieu of taxes	-----	54,114.62
964	Bad debts- tenant rents	-----	19,941.24
969	Total operating expenses	<u>49,716.95</u>	<u>2,672,414.85</u>
970	Excess (deficit) operating revenue over operating expenses	<u>359,899.64</u>	<u>(208,230.78)</u>
974	Depreciation expense	<u>55,924.25</u>	<u>746,565.54</u>
	Total expenses other than total operating	<u>55,924.25</u>	<u>746,565.54</u>
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	<u>303,975.39</u>	<u>(954,796.32)</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ 303,975.39</u>	<u>\$ (954,796.32)</u>

Sailor

Certified Public Accountants

Khan & Co. LLC

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Hamtramck Housing Commission
Hamtramck, Michigan

We have audited the financial statements of the Hamtramck Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2005, and have issued our report thereon dated September 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

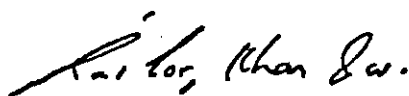
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Hamtramck Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
September 13, 2006

Khan & Co. LLC**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Hamtramck Housing Commission
Hamtramck, Michigan

Compliance

We have audited the compliance of the Hamtramck Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

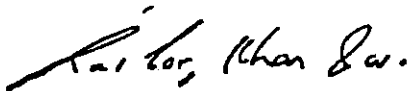
In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Hamtramck Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
September 13, 2006

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

STATUS OF PRIOR AUDIT FINDINGS

December 31, 2005

The prior audit report for the year ended December 31, 2004 contained a total of six audit findings:

Financial Statement Findings

Finding: Comprehensive Grant Programs/Capital Fund Programs

Status: Implemented

Finding: Fixed Asset and Depreciation Records

Status: Implemented

Finding: General Ledger

Status: Implemented

Finding: Payroll

Status: Implemented

Federal Awards Findings

Finding: Minutes Not Signed

Status: Implemented

Finding: Contract Administration

Status: Implemented

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2005

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
14-850a	Public and Indian Housing
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2005 disclosed the following Financial Statement audit finding:

1. Budget Overruns

Criteria:

The Housing Commission must operate within budget constraints.

Condition:

We noted the following budget overruns for fiscal year ended December 31, 2005:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Overruns</u>
Administrative	\$ 497,869.00	\$ 778,684.70	\$ 280,815.70
Protective Services	55,000.00	92,658.04	37,658.04
Total Operating Expenditures	2,278,152.00	2,520,850.85	242,698.85

Questioned Costs:

None

Effect:

The Housing Commission exceeded the operating budget in the aforementioned categories.

Cause:

The Housing Commission did not ensure these budget categories were not exceeded.

Recommendation:

We recommend that the Housing Commission place greater emphasis on operating within the budget constraints. Also, when it appears that the current budget has become insufficient, the Housing Commission must prepare a budget revision.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Budget Overruns (Continued)

Management's Response:

The overrun in the administrative budget vs. actual section was in large part due to a large repayment of back wages to an employee and the corresponding legal fees for that case and other pending case stemming from the former administration that were never budgeted for. Also, there was additional hiring of temporary personnel to work in the administration area that wasn't budgeted for.

The overrun in the protective services section was due to the hiring of a full time police officer to handle security at the Colonel Hamtramck Homes. This additional hiring was never budgeted for.

The overrun in the operating section was in large part due to utilities. The budgeted amount of utilities was based on figures from previous years which were understated, which cause a large variance in budget vs. actual.

Action Plan:

Management will perform monthly inspections of revenues and expenses vs. their budgeted amounts to identify those areas where overruns may occur and amend the annual budget accordingly.

HAMTRAMCK HOUSING COMMISSION

Hamtramck, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2005

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2005 disclosed no Federal Awards audit findings.